

August 10, 1981

Dear Light-Duty Manufacturers:

Recently, a manufacturer implemented a running change which added several configurations to an existing general fuel economy label. Specifically, this manufacturer submitted a running change which resulted in several vehicle designs moving from a model type designed to meet State of California emission standards to a model type offered for sale only in the 49 states. General labels for both labeling categories had been approved by EPA prior to the request for running change approval. However, both the manufacturer and EPA agreed that the new configurations added to the 49-state general label category would most appropriately be labeled with fuel economy estimate significantly lower than the existing label value. Under the regulations and policies then in place, the manufacturer would be forced to label these configurations with the existing model type value. At the request of this manufacturer, EPA developed and implemented a policy change which allowed the manufacturer to label the particular designs affected by the running change with a lower, more appropriate fuel economy value.

Via this letter, this new policy is being transmitted to the industry. This policy, effective immediately, is as follows:

The following fuel economy label flexibility is provided to manufacturers. The use of the flexibility is voluntary and the responsibility of the manufacturers. It provides for alteration of a fuel economy label number which becomes obsolete by a certain product action taken by a manufacturer after the issuance of an approved general label. If a running change results in vehicles being changed from one basic engine category to another (e.g., changed from designed to meet California standards to 49-state only or vice versa) after a general fuel economy label has been issued for both categories and the manufacturer believes that any such vehicle(s) may be inappropriately represented by the existing general label, the manufacturer may lower the fuel economy number on the fuel economy label of those vehicles. The manufacturer selects the appropriate value (provided that it is less than the general label value). The manufacturer selects the portion of the model type which should display the lower value. Such changes in the fuel economy value will not be considered a violation of the fuel economy regulations provided that the manufacturer informs EPA of the revised numbers by identifying which vehicles or subsets of vehicles (by car line/configuration/ETW/PAU) are affected and what fuel economy values will be used. This information is requested within ten days of initiation of the altered labels. EPA will accept and publish a list of vehicles which were labeled with values other than the approved general label values.

Manufacturers should note that this policy revision only pertains to the

circumstance where, because of a running change, vehicles move from one general label category to another after general labels have been approved for both categories. However, in the spirit of regulatory reform and in order to increase manufacturers flexibility, we are considering adopting a more general policy to be in effect under other circumstances. Under this policy, EPA would allow a manufacturer to label some or all of its vehicle with fuel economy values lower than those approved by EPA for general labels applicable to those vehicles. As a clarifying example, the above policy could be restated in part as follows:

DRAFT ALTERNATIVE POLICY

...If for any reason the manufacturer believes that any vehicle(s) may be inappropriately represented by their existing general label, the manufacturer may lower the fuel economy number on the fuel economy label of those vehicles....

We believe that such a more general policy would provide the necessary flexibility to allow manufacturers to make changes to the label values which they deem appropriate without the delay and expense of requesting case-by-case approval of EPA. At the same time, we do not believe that the validity or usefulness of the fuel economy label would in any way be decreased. However, prior to implementing such a more general policy, we request your comments on its usefulness and appropriateness.

We had considered implementing this more general policy in response to the particular manufacturer problem discussed above. However, we decided to opt for the more restricted policy based upon the effected manufacturer's concern that the greater flexibility could be used by manufacturers differently, with some possibly gaining a competitive advantage in the marketplace. We specifically request comment on this issue of potential competitive impact of extending the policy to the more general circumstance.

Based upon manufacturers' comments and our further analysis, we may adopt the more general policy for allowing lower fuel economy label values. Until such time, manufacturers may label their vehicles under the specific circumstances described herein.

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